

---

# Understanding CBN's IMTO directive and what It changes in the FX market



Financial Market Dealers Association (FMDA)

## Summary

The recent directive by the Central Bank of Nigeria (CBN) on International Money Transfer Operators (IMTOs) represents a forward-looking structural reform designed to enhance transparency, efficiency, and coordination within Nigeria's foreign exchange (FX) market. IMTOs, including global operators such as Western Union and MoneyGram, play a vital role in facilitating diaspora remittances into Nigeria, serving as an important channel for foreign exchange inflows that support households and economic activity. Under the new framework, all IMTO inflows are now channeled through authorized dealer banks for conversion into naira. This strengthens the role of the formal banking system, enhances traceability of FX transactions, and ensures that remittance flows are fully integrated into the official market architecture.

## Introduction

---

To properly interpret the latest directive by the Central Bank of Nigeria on International Money Transfer Operators (IMTOs), it is important to understand the pivotal role these operators play within Nigeria's foreign exchange (FX) market and how their activities support overall market efficiency.

IMTOs such as Western Union and MoneyGram serve as critical channels for diaspora remittances, enabling Nigerians abroad to send funds home seamlessly. These inflows typically originate in foreign currency, largely US dollars, and are received domestically in naira, reflecting a structured conversion process that connects global inflows to local economic activity.

---

## How the system worked before and what has changed

Prior to the new directive, the conversion process operated across multiple channels, allowing IMTOs flexibility in sourcing naira for settlement. IMTOs could also set their own exchange rates, as pricing was not anchored to a central benchmark.

The CBN's directive introduces a more standardised and coordinated framework. Under the new arrangement, all foreign currency inflows from IMTOs are sold to authorised dealer banks (ADBAs), which in turn provide the naira required for settlement. IMTOs retain the flexibility to choose their banking partners, while the conversion process is now fully aligned with the formal banking system. This enhances traceability, improves market visibility, and ensures that remittance flows are seamlessly integrated into official FX market channels.

## How significant are IMTO flows in the FX market

---

A broader perspective can be gained by comparing IMTO Nigerian economy. Historically, IMTO inflows accounted for about 2 to 5 per cent of total FX flows between 2019 and 2021. Their contribution strengthened in subsequent years, rising to approximately 8 to 12 per cent between 2022 and 2024, and standing at about 6.7 per cent in 2025 so far. This trend underscores the growing relevance of diaspora remittances as a steady and reliable component of Nigeria's FX landscape.

The directive builds on this importance by ensuring that these flows are processed within a more transparent, structured, and well-regulated framework. By improving visibility and alignment with official channels, it strengthens the overall management and coordination of FX inflows.

## Implications for the FX market

---

A key benefit of the new framework lies in enhanced pricing dynamics. With IMTOs transacting through authorised banks, there is a natural incentive to seek competitive conversion rates. This fosters healthy competition among banks, supports more efficient price discovery, and promotes greater consistency across the FX market.

In addition, the directive strengthens the integrity of the FX ecosystem by streamlining conversion through regulated channels which reduces -

---

arbitrage, reinforcing confidence in the formal market, and enhancing the role of financial institutions in FX intermediation.

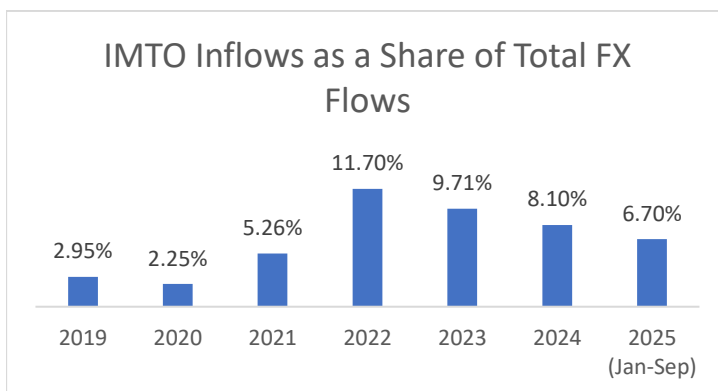
For the parallel market, the impact is likely to be moderate. While the policy may reduce some leakages into the informal market at the margin, approved BDCs could benefit indirectly as banks, now central to remittance flows, may increase FX supply to them within the formal framework. This is expected to narrow the gap between official and parallel-market exchange rates.

For FX recipients, the experience remains largely unchanged, the intelligence in the market suggests that most beneficiaries were already receiving naira rather than dollars.

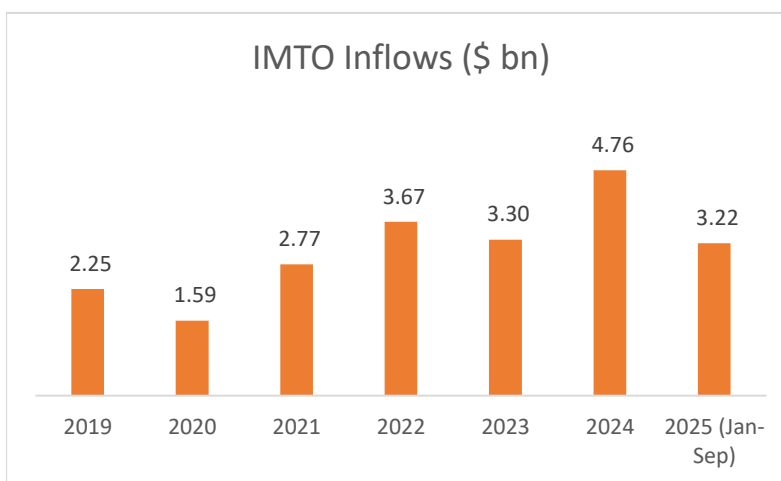
As implementation progresses, efficient execution and competitive pricing by banks will further optimize the benefits of the framework. Over time, this is expected to deepen market participation, improve consistency in remittance processing, and reinforce the position of the official FX segment.

## Conclusion

In essence, the CBN's IMTO directive represents a strategic refinement of Nigeria's FX market structure. By standardizing processes, enhancing transparency, and reinforcing the central role of the banking system, the policy supports a more coordinated, efficient, and credible FX market. It positions remittance flows within a stronger institutional framework, contributing to long-term market stability and improved investor confidence.



Source: CBN, FMDA Research



Source: CBN, FMDA Research

